

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS

**Financial Statements for the
Years Ended June 30, 2014 and 2013 and
Independent Auditor's Report**

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS

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BOARD MEMBERS (2014)

Lindsey C. Walata, Chairman

Richard Alan Kolb, Vice-Chairman

John Stevens, Secretary-Treasurer

John William Miller

Robert Remsburg

Kenneth Belk Taylor

EXECUTIVE OFFICER

Barbara U. Geiger, Administrator

LEGAL COUNSEL

North Carolina Department of Justice

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS

TABLE OF CONTENTS

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS	1-2
INDEPENDENT AUDITOR’S REPORT	3-4
FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2014 AND 2013	
Statements of Net Position	5
Statements of Revenues, Expenses and Changes in Net Position	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-15

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Board's financial report represents Management's analysis of the Board's financial performance during the years ended June 30, 2014 and 2013. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During 2014, the Board's net position increased by \$20,999, or 3.4%, due primarily to annually recurring revenues in excess of expenses. During 2013, the Board's net position increased by \$39,359, or 6.8%, due primarily to annually recurring revenues in excess of expenses.

During 2014, the operating revenues of the Board decreased by \$10,412, or 6.7%, due primarily to a decrease in examination fees and late payment fees. During 2013, the operating revenues of the Board increased by \$2,823, or 1.9%, due primarily to an increase in application fees and late fees.

During 2014, the non-operating revenues of the Board decreased by \$99, or 1.6%, due primarily to a decrease in the investment rate of return earned by the Board. During 2013, the non-operating revenues of the Board decreased by \$4,156, or 40.6%, due primarily to a decrease in the investment rate of return earned by the Board.

During 2014, the operating expenses of the Board increased by \$7,849, or 6.5%, due primarily to an increase in board members expenses. During 2013, the operating expenses of the Board increased by \$9,614, or 8.6%, due primarily to an increase in website expenses.

Overview of the Financial Statements

This financial report consists of two sections: Management's Discussion and Analysis and the Financial Statements. The Board has no other supplementary information required by GASB 34. The Financial Statements also include notes to the financial statements that provide detail of the information included in the financial statements.

Basic Financial Statements

The financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Board.

The Statements of Net Position present the current and long-term portions of assets and liabilities separately.

The Statements of Revenues, Expenses, and Changes in Net Position present information on how the Board's assets changed as a result of its operations.

The Statements of Cash Flows present information on how the Board's cash changed as a result of its financial activities.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Financial Information

The following presents condensed financial information on the operations of the Board:

	Current Year as of and for the year ended June 30, 2014	Current Year as of and for the year ended June 30, 2013
Current assets	\$ 483,439	\$ 484,665
Capital assets	70	70
Other assets	274,914	270,860
Total assets	<u>\$ 758,423</u>	<u>\$ 755,595</u>
Current liabilities	\$ 122,425	\$ 140,596
Total liabilities	<u>\$ 122,425</u>	<u>\$ 140,596</u>
Investment in capital assets	\$ 70	\$ 70
Unrestricted	635,928	614,929
Total net position	<u>\$ 635,998</u>	<u>\$ 614,999</u>
Operating revenues	\$ 144,207	154,619
Operating expenses	(129,185)	(121,336)
Operating income	15,022	33,283
Non-operating revenues	5,977	6,076
Change in net position	<u>\$ 20,999</u>	<u>\$ 39,359</u>

Events Affecting Future Operations

The Board has no significant events affecting future operations which are reportable pursuant to GASB 34.

Contacting the Board's Management

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional information, contact: North Carolina Board for Licensing of Geologists, PO Box 41225, Raleigh, NC 27629.

Shelton L. Hawley, CPA, PA
Certified Public Accountant

Suite B1
800 N. Raleigh St.
P.O. 1545
Angier, North Carolina 27501-1545

Telephone: (919) 639-4825
Facsimile: (919) 639-3102

INDEPENDENT AUDITOR'S REPORT

Members of the Board
North Carolina Board for Licensing of Geologists
Raleigh, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements and the related notes to the financial statements as listed in the table of contents of the North Carolina Board for Licensing of Geologists (the "Board"), an independent state agency which is a nonmajor enterprise fund of the primary government of the State of North Carolina, as of June 30, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Board for Licensing of Geologists as of June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the supplementary information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance thereon.



Shelton L. Hawley, C.P.A., P.A.

Angier, North Carolina

October 28, 2014

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

	June 30, 2014	June 30, 2013
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
ASSETS		
Current assets:		
Cash in State Treasurer (Note 2)	\$ 481,939	\$ 483,165
Cash and cash equivalents - other (Note 2)	<u>1,500</u>	<u>1,500</u>
Total current assets	483,439	484,665
Capital assets (Note 1):		
Furniture and office equipment	<u>70</u>	<u>70</u>
Total capital assets - net of depreciation	<u>70</u>	<u>70</u>
Other assets:		
Investments (Note 2)	274,912	270,849
Accrued interest receivable (on investments)	<u>2</u>	<u>11</u>
Total other assets	274,914	270,860
TOTAL ASSETS	<u>\$ 758,423</u>	<u>\$ 755,595</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 12,168	\$ 18,538
Due to other state agencies	14,737	6,133
Unearned revenue (Note 3)	<u>95,520</u>	<u>115,925</u>
Total current liabilities	122,425	140,596
TOTAL LIABILITIES	<u>122,425</u>	<u>140,596</u>
NET POSITION (NOTE 4)		
Investment in capital assets	70	70
Unrestricted net position	<u>635,928</u>	<u>614,929</u>
TOTAL NET POSITION	<u>635,998</u>	<u>614,999</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 758,423</u>	<u>\$ 755,595</u>

See notes to financial statements.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING REVENUES:		
License and renewal fees	\$ 123,955	\$ 126,585
New application fees and packets	7,260	7,985
Examination fees	10,800	15,260
Late payment fees	1,250	3,525
Miscellaneous operating income	<u>942</u>	<u>1,264</u>
Total operating revenues	\$ 144,207	\$ 154,619
OPERATING EXPENSES:		
Contractual management services (Note 5)	\$ 57,000	\$ 54,000
Management service staff expenses	266	233
Board members expenses	12,655	4,736
Peer review expenses (Note 6)	3,868	5,236
Telephone	2,096	1,721
Exam expenses	9,580	13,415
Public relations expenses - law awareness	237	
Office supplies	455	837
Printing and copying (including newsletter)	1,840	4,439
Postage and freight	992	1,016
Dues	4,500	4,500
Insurance	1,658	1,508
Legal (including related costs), accounting and audit fees	16,566	10,286
Credit card discount fees	2,409	2,831
Stamps	745	819
Website expenses	14,205	15,759
Miscellaneous expenses	<u>113</u>	
Total operating expenses	<u>\$ 129,185</u>	<u>\$ 121,336</u>
Operating income (loss)	\$ 15,022	\$ 33,283

See notes to financial statements.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
NON-OPERATING REVENUES (EXPENSES):		
Interest income	\$ 5,977	\$ 6,076
Total non-operating revenues	\$ 5,977	\$ 6,076
Change in net position	<u>\$ 20,999</u>	<u>\$ 39,359</u>
Net position - beginning of year	<u>614,999</u>	<u>575,640</u>
Net position - end of year	<u><u>\$ 635,998</u></u>	<u><u>\$ 614,999</u></u>

See notes to financial statements.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
Cash flows from operating activities:		
Cash received from fees and other operating income	\$ 123,802	\$ 165,634
Cash payments for operating expenses	(126,951)	(107,313)
Net cash provided by operating activities	\$ (3,149)	\$ 58,321
Cash flows from investing activities:		
Interest earned	5,977	6,076
Transfers from (to) investments	\$ (4,054)	\$ (4,266)
Net cash provided by investing activities	\$ 1,923	\$ 1,810
Net increase in cash	\$ (1,226)	\$ 60,131
Cash - beginning of year	484,665	424,534
Cash - end of year	<u>\$ 483,439</u>	<u>\$ 484,665</u>
Reconciliation of operating income		
to net cash provided by operating activities:		
Operating income (loss)	<u>\$ 15,022</u>	<u>\$ 33,283</u>
Adjustments to reconcile operating income (loss)		
to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Other receivables	\$	\$ 155
Accounts payable	2,234	14,023
Unearned revenue	(20,405)	10,860
Total adjustments	\$ (18,171)	\$ 25,038
Net cash provided by operating activities	<u>\$ (3,149)</u>	<u>\$ 58,321</u>

See notes to financial statements.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 1 - Nature of Activities and Significant Accounting Policies

Description of Organization

The North Carolina Board for Licensing of Geologists (the "Board") is an independent State agency. It is an occupational licensing board and is authorized by Chapter 89E of the North Carolina General Statutes. The Board is composed of six members who are appointed by the Governor of the State of North Carolina. The Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR).

The Board is established to maintain minimum standards for services provided by geologists.

The Board's operations are financed with self-generated revenues from fees charged to examinees and licensees.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The accompanying financial statements present all funds and activities for which the Board is responsible.

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Basis of Accounting

In accordance with *Statement of Governmental Accounting Standards 34 (as amended, if applicable)*, the Board herewith presents Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary funds or component units.

The Statements of Revenues, Expenses, and Changes in Net Position demonstrate the degree to which the direct expenses of the Board are offset by license and examination fees.

The financial statements report all activities of the North Carolina Board for Licensing of Geologists using the economic resource measurement focus and the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized when incurred, if measurable, regardless of the timing of cash flows.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of license fees. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Non-operating revenues and expenses consist of those revenues and expenses that are related to investing, capital, and non-capital financing activities; and are classified as non-operating in the financial statements.

Cash in State Treasurer

This classification consists of funds deposited by the Board with the cash accounts of the North Carolina State Treasurer.

Cash and Cash Equivalents

This classification includes undeposited receipts, petty cash, checking accounts and time deposits (excluding certain certificates of deposit, if any) held by the Board.

Investments

The Board is authorized to invest idle funds in accordance with North Carolina General Statutes. This classification consists of certain certificates of deposits held by the Board for investment. Investments generally are reported at fair market value. Certificates of deposit are reported at cost (which is the same as fair value) if purchased in the primary certificate of deposit market, and at fair value if purchased in the secondary certificate of deposit market (as determined by quoted market prices). The net increase (decrease) in the fair value of investments for certificates of deposit is recognized as a component of investment interest income.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

The carrying amounts of the Board's financial instruments approximate their fair value.

Capital Assets

Capital assets are stated at cost and are being depreciated over their useful lives on a straight-line basis. The Board capitalizes assets that have a value or cost of \$500 or greater at the date of acquisition and an estimated useful life of more than one year. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets, generally estimated as follows: office furniture and equipment, 5 to 7 years. Summaries follow:

	Cost 06-30-13	Acquisitions	Disposals	Cost 06-30-14	Accumulated Depreciation	Net Amount
Furniture/Equipment	\$ 1,237	\$ -	\$ -	\$ 1,237	\$ 1,167	\$ 70
	<u>\$ 1,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,237</u>	<u>\$ 1,167</u>	<u>\$ 70</u>

	Cost 06-30-12	Acquisitions	Disposals	Cost 06-30-13	Accumulated Depreciation	Net Amount
Furniture/Equipment	\$ 1,237	\$ -	\$ -	\$ 1,237	\$ 1,167	\$ 70
	<u>\$ 1,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,237</u>	<u>\$ 1,167</u>	<u>\$ 70</u>

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in earnings for the period. No depreciation expense was recorded for the fiscal year ended June 30, 2014 or for the fiscal year ended June 30, 2013.

Income Taxes

The Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is exempt from federal and state income taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 2 - Deposits and Investments

Cash in State Treasurer Short Term Investment Fund (STIF)

Pursuant to North Carolina General Statute 147-69.3(b), the Board voluntarily deposits to the North Carolina Short Term Investment Fund (STIF). Disbursements are through the issuance of warrants by the Board. Investments of the Short Term Investment Fund are limited to those authorized for the State's General Fund, generally high quality money market investments and US Government/agency securities. FDIC insurance and deposit collateralization rules do not apply.

Deposit and investments risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) are included in the State of North Carolina's Comprehensive Annual Financial Report. An electronic version of the financial report is available by accessing the North Carolina Office of the State Controller's internet home page, www.ncosc.net, and clicking on "Financial Reports", or calling the State Controller's Financial Reporting Section at (919) 707-0500.

At June 30, 2014, the Board's deposits with the State Treasurer STIF account had a carrying value and fair market value of \$481,939 (including undeposited receipts), and a bank balance of \$444,599 (including \$25,800 in uncertified deposits). At June 30, 2013, the Board's deposits with the State Treasurer STIF account had a carrying value and fair market value of \$483,165 (including undeposited receipts), and a bank balance of \$472,660 (including \$5,265 in uncertified deposits).

Deposits in Financial Institution(s)

All of the Board's deposits which are uninsured are uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)] by the financial institution holding said deposits. For deposits, custodial credit risk is the risk that in the event of the failure of the depository (or counterparty), the Board will not be able to recover the value of its deposits that are in the possession of the outside party. The Board does not have policies regarding custodial credit risk for deposits.

At June 30, 2014, the Board's deposits had a carrying amount of \$276,412 and a bank balance of \$276,412. Of the bank balance, \$251,500 was covered by federal depository insurance, and \$24,912 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)]. Certificates of deposit in the amount of \$274,912 are considered time deposits for this disclosure and are classified as investments on the Statement of Net Position. At June 30, 2013, the Board's deposits had a carrying amount of \$272,349 and a bank balance of \$272,349. Of the bank balance, \$251,500 was covered by federal depository insurance, and \$20,849 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)]. Certificates of deposit in the amount of \$270,849 are considered time deposits for this disclosure and are classified as investments on the Statement of Net Position.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 2 - Deposits and Investments (Continued)

Investments

At June 30, 2014 and 2013, the Board had the following investments and maturities.

Investment Type	June 30, 2014		June 30, 2013	
	Fair Value	Over 12 Months	Fair Value	Over 12 Months
Certificate of Deposit	\$ 141,091	\$ 141,091	\$ 137,296	\$ 137,296
Certificate of Deposit	133,821	133,821	133,553	133,553
Total	\$ 274,912	\$ 274,912	\$ 270,849	\$ 270,849

Risk Disclosures for Investments

Interest rate risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Board limits its investment in certificates of deposits to maturities of no more than 60 months.

Credit risk - State law limits the investments of the Board to certain types of investments, however the Board's present policy for managing credit risk is to limit its investments to certificates of deposits.

Custodial credit risk - For an investment, custodial credit risk is the risk that in the event of the failure of the depository (or counterparty), the Board will not be able to recover the value of its investments that are in the possession of the outside party. The Board does not have policies regarding custodial credit risk for investments.

Concentration of credit risk - The Board places no limit on the amount that it may invest in any one issuer. All of the Board's deposits and investments are with one financial institution (other than deposits with the North Carolina State Treasurer).

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 2 - Deposits and Investments (Continued)

Reconciliation of Deposits and Investments

A reconciliation of deposits and investments for the Board to the basic financial statements at June 30, 2014 and 2013, is as follows:

	June 30, 2014	June 30, 2013
Carrying Amount of Cash in State Treasurer	\$ 481,939	\$ 483,165
Carrying Amount of Bank Deposits	1,500	1,500
Certificates of Deposits	274,912	270,849
Total Deposits and Investments	<u>\$ 758,351</u>	<u>\$ 755,514</u>
Current:		
Cash in State Treasurer	\$ 481,939	\$ 483,165
Cash and Cash Equivalents - Other	1,500	1,500
Noncurrent:		
Investments	274,912	270,849
Total Deposits and Investments	<u>\$ 758,351</u>	<u>\$ 755,514</u>

Note 3 - Unearned Revenue

The Board's fees are assessed and collected on an annual basis for the period July 1 through June 30, which corresponds with the Board's accounting period. License renewal fees received in the latter part of the fiscal year are unearned and recognized as revenue over the one year period to which they relate.

Note 4 - Net Position

Investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any loan proceeds that are attributable to the acquisition, construction, or improvement of those capital assets.

Restricted net position - This component of net position consists of net position which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. The Board had no restricted net position at year end.

Unrestricted net position - This component of net position consists of net position that does not meet the definition of *restricted or investment in capital assets*.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 5 - Contractual Management Services

The Board does not have any employees. The Board contracts with a management service to provide services for the Board. The contract includes all services related to the process of licensure application and renewal and various other clerical duties. The Board also reimburses the management service for printing, copying, postage and miscellaneous office supplies and expenses. Payments to the management service totaled \$62,660 during the fiscal year ended June 30, 2014. Payments to the management service totaled \$61,193 during the fiscal year ended June 30, 2013.

Note 6 - Related Party Transactions

The Board contracts with former Board members to perform peer review services for the Board. Peer review services are expenses incurred and paid for professional services rendered to investigate complaints against Board licensees and to investigate unlicensed practice. Payments to former Board members (for peer review services) totaled \$486 during the fiscal year ended June 30, 2014. Payments to former Board members (for peer review services) totaled \$4,766 during the fiscal year ended June 30, 2013.

Note 7 - Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled by participation in certain state-administered risk programs and self retention of certain risks. Additionally, the Board protects itself from exposure to loss through the purchase of commercial insurance coverage.

Note 8 - Contingencies

The Board is involved in occasional disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the years under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the years herein ended.

Note 9 - Subsequent Events

Subsequent events have been evaluated through October 28, 2014, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

This audit required 45 audit hours at a cost of \$4,295.